SAN FRANCISCO
BAY AREA WATER EMERGENCY
TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Bay Area Water Emergency Transportation Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the San Francisco Bay Area Water Emergency Transportation Authority (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the San Francisco Bay Area Water Emergency Transportation Authority (Authority) activities and financial performance provides an introduction to the financial statements of the Authority for the fiscal year ended June 30, 2017. The information presented herein should be considered in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

Statement of Net Position—presents the financial position of the Authority, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs from the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash inflows and outflows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FINANCIAL POSITION SUMMARY

Total net position may serve as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by $268.5 million at June 30, 2017, an $80.5 million or 43% increase from June 30, 2016.

The following is a summary of the Authority's net position as of June 30, 2017 and 2016 along with a discussion of some of the most significant balances (in thousands):

	2017	2016
Assets:		
Current and other assets	$154,805	$154,615
Capital assets	252,195	171,261
Total assets	$407,000	$325,876
Deferred Outflows of Resources:		
Pension	$1,214	$930
Total deferred outflows of resources	$1,214	$930
Liabilities:		
Current liabilities	$26,484	$6,631
Unearned/deferred revenue	112,421	131,481
Other noncurrent liabilities	127	103
Collective net pension liability	386	440
Total liabilities	$139,418	$138,655
Deferred Inflows of Resources:		
Pension	$326	$215
Total deferred iutflows of resources	$326	$215
Net Position:		
Invested in capital assets, net of related debt	$252,195	$171,261
Restricted	4,476	5,211
Unrestricted	11,801	11,464
Total net assets	$268,471	$187,936

The increase in assets is mainly attributed to increase in capital construction in progress and the addition of one new ferry vessel. Deferred outflows related to the Authority's pension activities have also increased as a result of the Authority's pension contributions subsequent to the pension valuation measurement date.

The increase in current liabilities is due to the increase in accounts payable invoices received but not yet paid as of June 30, 2017.

The largest portion of the Authority's net position (94%) represents its investment in capital assets (i.e., ferries, terminals, improvements, and equipment). These capital assets are used to provide services to its passengers. Net assets invested in capital assets increased by 47% during the year.

An additional portion of the Authority's net position (2%), Restricted net position, represents resources that are subject to external restrictions imposed by grantors and contributors that restrict the use of net assets, decreased $0.7 million during the year. The remaining Unrestricted net position (4%) may be used to meet ongoing obligations.

The Authority adopted the provisions of GASB Statement No. 68 (GASB 68) and Statement No. 71 (GASB 71), which became effective during the fiscal year ended June 30, 2015. The implementation of GASB 68 requires the recognition of the Authority's net pension liability measured as of June 30, 2016. Pension contributions made in FY2016/17 are recognized as a Deferred outflow of resources. GASB 68 also requires the recognition of deferred inflows of resources for changes in the Authority's net pension liability that arises from other types of events. As a result, certain June 30, 2017 balances, including Deferred outflow of resource and Deferred inflow of resources, at June 30, 2017 are not comparable to the balances at June 30, 2016.

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

- Fare revenues increased by $1.9 million or 11% ($18.6 million in 2017 compared to $16.7 million in 2016). This was primarily due to the implementation of year two fare increase, in which single-ride fares are increased 3% on July 1, that was included in the five year fare program adopted by the Authority's Board of Directors in September 2014. The increase in fare revenues was also due to the 3.7% increase in system-wide ridership.

- Operating expenses, before depreciation, increased from $28.9 million in 2016 to $33.0 million in 2017, a change of $4.1 million. This increase was mainly due to the additional costs to support the Bay Bridge Forward Ferry Enhancement Program, in which the enhanced summer service schedule for the Alameda/Oakland and Vallejo ferry services were extended through December 2017.

- Non-operating revenues increased to $14.1 million in 2017 as compared to $12.8 million in 2016, an increase of $1.3 million. This increase was directly attributed to the additional operating subsidies need to implement the Bay Bridge Forward Ferry Enhancement Program.

- Capital contributions received in the form of grants and assistance from the Federal, State, and Local governments increased from $40.7 million in 2016 to $89.9 million in 2017. In 2017, the Authority was involved in major projects such as the *Purchase of Three Replacement Vessels, Purchase of Four Expansion Vessels, Major Component Rehabilitation and Quarter-Life Refurbishment of the M/V Mare Island, the M/V Gemini and the M/V Pisces, Construction of the North Bay and Central Bay Operations and Maintenance Facilities, Construction of the Downtown San Francisco Ferry Terminal Expansion and the preparation of bridging design documents for the Richmond Ferry Terminal.*

- Total Assets and Deferred Outflows increased by $81.4 million ($408.2 million in 2017 compared to $326.8 million in 2016) and total Liabilities and Deferred Inflows increased by $0.8 million ($139.7 million in 2017 compared to $138.9 million in 2016), resulting in an increase of total Net Assets of $80.6 million ($268.5 million in 2017 compared to $187.9 million in 2016).

PROGRAM INITIATIVES AND OUTLOOK

On August 4, 2016, the Authority's Board of Directors approved the implementation of the Bay Bridge Forward Ferry Enhancement Program (Program). This Program extended the enhanced summer service schedule for the Alameda/Oakland and the Vallejo ferry services through December 2017. The Metropolitan Transportation Commission provided additional Regional Measure 2 operating funds to support the additional ferry services.

On September 1, 2016, the Authority's Board of Directors approved a contract award to Dakota Creek Industries, Inc. (DCI) in an amount not to exceed $62.1 million for the construction of three new 445-passenger, 34-knot ferry vessels.

On October 6, 2016, the Authority's Board of Directors adopted the 2016 WETA Strategic Plan which presents a vision for the next 20 years of ferry service in the San Francisco Bay Area. This plan will exist online on the WETA website as a resource for WETA staff, board members, community stakeholders and the general public.

On October 6, 2016, the Authority's Board of Directors approved a contract award to Vigor Kvichak, LLC for the design-build construction of two new 400-passenger vessels in an amount up to $29.9 million.

On October 6, 2016, the Authority's Board of Directors also approved the release of the draft proposal to enhance the Vallejo ferry service and delete the scheduled Route 200 bus service for public and stakeholder review and comment.

On November 10, 2016, the Authority's Board of Directors approved the Vallejo ferry service enhancements and delete scheduled Route 200 bus service beginning January 2017.

On November 10, 2016, the Authority's Board of Directors also approved the WETA System-Wide Parking Fee Program Policy Goals.

On January 12, 2017, the Authority's Board of Directors approved a Construction Manager at Risk contract award to Power Engineering Construction for the Phase One Work of the Downtown San Francisco Ferry Terminal Expansion project. The amount awarded to support this work was $14.8 million.

On February 16, 2017, the Authority's Board of Directors approved the initiation of ferry service to and from the North Bay Operations and Maintenance facility terminal site on Mare Island beginning on March 6, 2017. The Authority's Board of Directors also approved the use of WETA's standard short hop fare of $1.60 for travel between Mare Island and the Vallejo ferry terminal.

On May 11, 2017, the Authority's Board of Directors approved a contract award to Manson Construction Co. (Manson) for the construction of the Richmond Ferry Terminal in the amount of $16.1 million. Pursuant to requirements of the Request for Proposal, Manson is required to achieve final completion of the project by October 1, 2018.

On May 11, 2017, the Authority's Board of Directors adopted the San Francisco Bay Area Water Emergency Transportation Authority Local Hazard Mitigation Plan (HMP). The HMP was prepared in accordance with the Federal Disaster Mitigation Act of 2000 (DMA 2000). DMA 2000 requires local governments to develop and submit HMPs as a condition of receiving Hazard Mitigation Grant Program and other mitigation project grant funding. This includes pre-disaster mitigation funding and post-disaster mitigation funding for existing WETA facilities

On June 8, 2017, the Authority's Board of Directors approved a contract amendment with Power Engineering Construction for an amount of $15.5 million to support a portion of the Phase Two Work of the Downtown San Francisco Ferry Terminal Expansion project. The approved contract amendment includes the fabrication and delivery of the float and gangway superstructures and pedestrian bridge.

During 2017, the Authority expended $89.9 million on capital activities. (See Note 4 for further information.) This included the following major projects:

- Central Bay Operations and Maintenance Facility – Construction ($27.0 million).
- Purchase of Four Expansion Vessels ($25.1 million).
- Purchase of Three Replacement Vessels ($16.1 million).
- San Francisco Berthing Expansion – Construction ($10.2 million).
- Quarter-Life Refurbishment and Capacity Increase – M/V Pisces ($4.1 million).
- Major Component and Waterjets Rehabilitation – M/V Mare Island ($2.6 million).
- Richmond Ferry Terminal – Bridging Design ($1.2 million).
- North Bay Operations and Maintenance Facility – Construction ($1.4 million).

The Authority will continue its efforts to support the management, operation and marketing of the four San Francisco Bay Ferry Routes: Alameda/Oakland to San Francisco, Alameda Harbor Bay to San Francisco, Alameda/Oakland to South San Francisco and Vallejo to San Francisco. Planning and administrative efforts in the coming year will focus on updating system ridership projections (including Mission Bay and Redwood City), completing the Alameda Terminal Access Study, preparing concept designs for improvements at the Alameda and Oakland ferry terminals, conducting the triennial on-board passenger survey and developing an integrated operations information database for monitoring service performance. Staff will also continue to facilitate and participate in emergency response meetings, planning and exercises.

CONTACTING WETA'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, creditors and interested parties with a general overview of the Authority's finances. Questions or additional information about these statements should be directed to San Francisco Bay Area Water Emergency Transportation Authority, at 9 Pier, Suite 111, San Francisco, CA 94111.

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SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents (Note 3)	$135,138,778
Receivables:	
Accounts	15,969,129
Interest	61,553
Security deposit	78,613
Inventory	325,983
Prepaid expenses	3,231,436
Total Current Assets	154,805,492
Capital assets, net of accumulated depreciation (Note 4):	
Construction in progress	131,690,503
Depreciable capital assets, net	
Ferries	79,321,377
Terminal development rights	3,127,683
Floats, piers and gangways	12,266,560
Ferry terminal and facilities	25,413,014
Equipment and service vehicles	375,610
Total Capital Assets	252,194,747
Total Noncurrent Assets	252,194,747
Total Assets	407,000,239
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 9)	1,214,011
Total Deferred Outflows of Resources	1,214,011
LIABILITIES	
Current Liabilities	
Accounts payable	25,653,284
Other accrued liabilities	635,896
Unearned revenue - fares	90,390
Compensated absences (Note 2C)	104,546
Total Current Liabilities	26,484,116
Noncurrent Liabilities	
Compensated absences (Note 2C)	126,550
Unearned revenue - State Appropriation (Note 5A)	2,291,847
Unearned revenue - Prop 1B (Note 5C)	109,864,398
Unearned revenue - LCTOP (Note 5E)	264,815
Collective net pension liability (Note 9)	385,835
Total Noncurrent Liabilities	112,933,445
Total Liabilities	139,417,561
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 9)	325,533
Total Deferred Inflows of Resources	325,533
NET POSITION (Note 8)	
Net investment in capital assets	252,194,747
Restricted	4,475,542
Unrestricted	11,800,867
Total Net Position	$268,471,156

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Farebox revenue	$18,567,319
Total Operating Revenues	18,567,319
PROGRAM OPERATING EXPENSES	
Personnel costs	1,934,318
Administrative expenses	5,929,064
Legal and consulting	1,674,487
Purchased transportation	22,806,828
Insurance premiums	671,497
Depreciation (Note 4)	8,934,346
Total Program Operating Expenses	41,950,540
OPERATING LOSS	(23,383,221)
NONOPERATING REVENUES (EXPENSE)	
Intergovernmental receipts	13,850,819
Other revenue	199,331
Total Nonoperating Revenues	14,050,150
CAPITAL GRANTS	89,867,960
CHANGE IN NET POSITION	80,534,889
NET POSITION - BEGINNING	187,936,267
NET POSITION - ENDING	$268,471,156

See accompanying notes to financial statements

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$18,567,319
Payments to vendors and consultants	(11,779,475)
Payments to or on behalf of employees	(2,140,547)
Net cash flows from (used for) operating activities	4,647,297
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Intergovernmental collections	4,071,908
Net cash flows from noncapital and related financing activities	4,071,908
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant receipts used for capital activities	70,812,185
Payments for capital assets	(89,867,961)
Net cash flows from (used for) capital and related financing activities	(19,055,776)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments	(26,361)
Net cash flows from (used for) investing activities	(26,361)
Net cash flows	(10,362,932)
Cash and cash equivalents- beginning of year	145,501,710
Cash and cash equivalents - end of year	$135,138,778
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	($23,383,221)
Depreciation	8,934,346
Decrease (increase) in due to retirement liability	(227,474)
Change in assets and liabilities:	
Security deposits	(22,600)
Inventory	430,648
Prepaid expenses	(956,498)
Accounts payable	20,599,530
Other accrued liabilities	(748,679)
Compensated absences	21,245
Net cash flows used for operating activities	$4,647,297

See accompanying notes to financial statements

NOTE 1 – REPORTING ENTITY

The San Francisco Bay Area Water Emergency Transportation Authority (Authority) is the regional water transportation planning and operating agency for the San Francisco Bay Area. It was established by the California State Legislature on October 14, 2007. The Authority was designated by the State Legislature to plan and operate new and existing Alameda and Vallejo ferry services and coordinate the emergency activities of all water transportation and related facilities within the Bay Area region.

The Authority is governed by a Board of Directors comprised of appointees from the California State Governor's Office, the State Assembly, and the State Senate subcommittees. The Board, consisting of 5 members, is responsible for general operations of the Authority, reviewing and approving the annual budget, approving future contractual agreements with vendors, and appointment of the Executive Director.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary entity (the Authority). These statements include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's business-type activities. Program Operating Expenses are those that are specifically associated with a program or function. Nonoperating Revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as Nonoperating Revenues are presented as Operating Revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The Authority uses an enterprise fund format to report its activities for financial statement purposes. The Authority's financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Grant reimbursements are recognized in the period the grant expenditures are made. Expenditures in excess of reimbursement are recorded as receivables if allowable under the grant, while excess reimbursements are recorded as deferred revenues.

C. Compensated Absences

Compensated absences comprise vacations and administration leave and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in compensated absences were as follows:

Balance at June 30, 2016	$209,851
Additions	287,157
Payments	(265,912)
Balance at June 30, 2017	231,096
Due within one year	104,546
Due in more than one year	$126,550

D. Estimates

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 3 - CASH AND INVESTMENTS

A. Carrying Amount and Fair Value

Cash and investments are recorded at fair value, which is the same as fair market value. The Authority's cash and investments were composed of cash in banks and the California Local Agency Investment Fund (LAIF), each of which is described below.

Cash and investments comprised of the following at June 30, 2017:

Investment Type	Total
California Local Agency Investment Fund	$8,745,820
Held by Trustees:	
Money Market Mutual Fund	123,311,318
Total Investments	132,057,138
Cash in banks and on hand	3,081,640
Total Cash and investments	$135,138,778

The California Local Agency Investment Fund (LAIF) and money market mutual funds are exempt from the fair value hierarchy.

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the Authority

The California Government Code allows the Authority to invest in the following types of investments.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 years	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise Agencies	N/A	N/A	No Limit	No Limit
State Obligations	5 years	N/A	No Limit	No Limit
State Agency Obligations	5 years	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Non-negotiable Certificates of Deposit	5 years	N/A	No Limit	No Limit
Mutual Funds and Money Market Mutual Funds	N/A	Highest	20%	10%
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper - Pooled Funds	270 Days	A/A-1	40%	10%
Commercial Paper - Non-Pooled Funds	270 Days	A/A-1	25%	10%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	$65,000,000 per account	$65,000,000 per account
Local Agency Obligations	5 years	N/A	No Limit	No Limit
Placement Service Deposits	5 years	N/A	30%	No Limit
Placement Service Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	N/A	20%	No Limit
Medium-Term Notes	5 years	A	30%	No Limit
Collateralized Bank Deposits	5 years	N/A	No Limit	No Limit
Mortgage Pass–Through Securities	5 years	AA	20%	No Limit
County Pooled Investment Funds	N/A	N/A	No Limit	No Limit
Joint Powers Authority Pool	N/A	Multiple	No Limit	No Limit
Voluntary Investment Program Funds	N/A	N/A	No Limit	No Limit
Supranational Obligations	5 years	AA	30%	No Limit

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of the Authority's investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in the LAIF investment pool, and the money market mutual funds, is approximately 194 and 50 days, respectively.

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of year end, the money market mutual funds were rated AAAm by S&P. LAIF is not rated by a nationally recognized statistical rating organization.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority may not be able to recover its deposits or may not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of the Authority's cash on deposit. All of the Authority's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Authority's name.

F. Local Agency Investment Fund

The Authority is a voluntary participant in LAIF. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

NOTE 4 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight line method over the estimated useful lives of assets, which are as follows:

Ferries	25 years
Ferry Terminal/Facilities	50 years
Terminal Development Rights	55 years

Capital assets activity was as follows for the year ended June 30, 2017:

	Balance as of June 30, 2016	Additions	Transfers/ Adjustments	Retirements	Balance as of June 30, 2017
Capital assets not being depreciated:					
Construction in progress	$70,707,442	$89,867,961	($28,884,900)		$131,690,503
Total assets not being depreciated	70,707,442	89,867,961	(28,884,900)		131,690,503
Capital assets being depreciated:					
Ferries	83,221,512		28,773,195		111,994,707
Terminal development rights	3,660,000				3,660,000
Floats, piers and gangways	15,689,122		(12,132)		15,676,990
Ferry terminal and facilities	30,458,586				30,458,586
Equipment and service vehicles	1,570,510		123,837	($152,917)	1,541,430
Total assets being depreciated	134,599,730		28,884,900		163,331,713
Less accumulated depreciation for:					
Ferries	(26,277,882)	(6,395,448)			(32,673,330)
Terminal development rights	(465,772)	(66,545)			(532,317)
Floats, piers and gangways	(2,367,082)	(1,043,348)			(3,410,430)
Ferry terminal and facilities	(3,851,849)	(1,193,723)			(5,045,572)
Equipment and service vehicles	(1,083,455)	(235,282)		152,917	(1,165,820)
Total accumulated depreciation	(34,046,040)	(8,934,346)			(42,827,469)
Net capital assets being depreciated	100,553,690	(8,934,346)	28,884,900		120,504,244
Capital Assets, Net	$171,261,132	$80,933,615			$252,194,747

NOTE 5 – MAJOR FUNDING SOURCES

A. State Appropriation

In October 1999, the California State legislature formed the Water Transit Authority (WTA) and received a single $12,000,000 appropriation as initial funding for the study and planning of water transportation services in the San Francisco Bay. On October 14, 2007, Senate Bill stated that WTA funds will be transferred to the Authority. As of June 30, 2017, the appropriation has a balance as follows:

Original appropriation	$12,000,000
Net expenses as of June 30, 2017	(9,725,830)
Unearned appropriation as of beginning of period	2,274,170
Fiscal year 2017:	
Interest income	17,677
Unearned appropriation as of period end	$2,291,847

B. Bridge Tolls

Regional Measure 1 (RM1) - In November 1988, Bay Area voters approved Regional Measure 1 (RM1), which authorized a standard auto toll of $1 for all seven state-owned Bay Area toll bridges. The additional revenues generated by the toll increase were identified for use for congestion-relieving transit operations and capital projects in the bridge corridors. The Authority receives the portion of RM1 funding intended for transit operation and ferry capital projects. As of June 30, 2017, the Authority expended a total of $5,641,077 for capital. The Authority received $845,409 in cash and had a receivable balance of $4,615,668.

Regional Measure 2 (RM2): On March 2, 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by $1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding. The Authority was allocated $18,300,000 to be used for operations in the fiscal year 2016-17 and $20,095,710 to be used for capital. As of June 30, 2017, the Authority has expended total current allocated operating funds of $14,587,148 and an additional $8,865,348 of current and previously allocated capital funds. The Authority received $21,367,722 in cash and had a receivable balance of $2,084,774.

AB664 is named for the 1975 enabling legislation that established the reserves. Funds are collected from the Dumbarton, San Mateo-Hayward and San Francisco-Oakland Bay bridges and are used to fund capital projects that further the development of public transit in the vicinity of the bridges. Most AB 664 funding is programmed to various transit agencies as a match for federal funds to cover the cost of replacing buses and improving capital facilities. As of June 30, 2017, the Authority had expended total allocated funds of $1,171,957, had received $890,389 in cash and had a receivable balance of $281,568.

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

C. *Proposition 1B (CTSGP-RPWT) Projects*

Pursuant to State Proposition 1B, the Authority is the eligible recipient of funds from the California Transit Grant Program, Regional Public Waterborne Transit (CTSGP-RPWT) for public transportation ferries and related facilities and services and emergency water transportation disaster recovery within the Bay Area region. As of June 30, 2017, the Authority had been awarded $200 million in Proposition 1B allocations.

Assembly Bill 1203 (AB 1203), chaptered into law on October 11, 2009, provided clarifying language that allow the Authority to receive all awarded Proposition 1B allocations not previously invoiced or paid and as of April 2010, the Authority received $44,679,939. The Authority received an additional $25 million in fiscal year 2010-11 and $50 million in the fiscal year ended June 30, 2014, $25 million in fiscal year June 30, 2016 and $25 million in fiscal year ended June 30, 2017. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements.

A summary of the Authority's Proposition 1B projects for the fiscal year ended June 30, 2017 are as follows:

Project Name	Grant Allocations	Expended in Fiscal Year		Unearned Revenue at 06/30/17
		Prior years	2016-2017	
Preliminary Studies & Bridging Design of Redwood City, Richmond, Antioch and Martinez	$2,299,792	($1,812,206)	($487,586)	
Final Design for Berkeley and Hercules Terminals	220,519	(220,519)		
South San Francisco Terminal and Vessel Construction	9,617,037	(9,617,037)		
Maintenance Barge/Facility and Emergency Floats	5,686,442	(5,698,052)	11,610	
Central Bay and North Bay Maintenance Facilities	66,676,210	(24,828,411)	(16,781,896)	$25,065,903
San Francisco Berthing Expansion	57,500,000	(1,895,333)	(5,882,861)	49,721,806
WETA Ferry Vessels	48,000,000	(2,188,244)	(20,713,926)	25,097,830
East Bay Ferry Terminals	10,000,000		(695,021)	9,304,979
Total	$200,000,000	($46,259,802)	($44,549,680)	109,190,518
Add interest earned in prior years				467,119
Add interest earned in current year				206,761
Unearned Revenues				$109,864,398

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

D. Measure B and Measure BB Programs

Measure B was approved by the voters of Alameda County in 2000. This measure authorized a half-cent transportation sales tax to finance improvements to the County's mass transit and road improvements. Measure B funds are to be collected for a duration of 20 years; sales tax collection began on April 1, 2002 and will extend through March 31, 2022.

On November 4, 2014, the voters of Alameda County approved Measure BB, authorizing Alameda County Transportation Commission (CTC) to administer the proceeds from the extension of an existing one-half of one percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by one-half of one percent. The duration of the tax will be for 30 years from the initial year of collection, expiring on March 31, 2045. The tax proceeds will be used to pay for investments outlined in the 2014 Alameda County Transportation Expenditure Plan (2014 TEP).

The Authority uses Measure B and Measure BB funds for the maintenance and operations of the Alameda ferry services. During the fiscal year ended June 30, 2017, the Measure B and Measure BB program activity was as follows:

	Measure B	Measure BB
Program Revenues:		
Direct Local Program Distribution Allocation	$1,038,122	$674,089
Interest Earned - Measure B Distribution	1,735	1,127
Total Measure BB Revenues	1,039,857	675,216
Program Expenditures:		
Construction / Capital:		
Vessel Replacement - Harbor Bay Express II	(1,689,917)	(670,280)
Terminal Access Improvements - Alameda	(182,472)	
Net Bank Fees	(1,898)	(1,233)
Total Direct Local Distribution Program Expenditures	(1,874,287)	(671,513)
Revenue Over Expenditures/ Excess Net Change in Fund Balance	(834,430)	3,703
Fund Balance:		
Beginning Fund Balance	1,777,126	100,576
Ending Fund Balance	$942,696	$104,279
Reserves:		
Capital Reserves	$839,696	$37,279
Undesignated Reserves	103,000	67,000
Unspent Funds as of the End of the Year:	$942,696	$104,279

NOTE 5 – MAJOR FUNDING SOURCES (Continued)

Measure B (MB) and Measure BB (MBB) Reserves - Pursuant to its agreement with the Alameda County Transportation Commission, the Authority is to expend MB and MBB funds expeditiously and no unexpended funds beyond those included in reserves as defined in the Agreement are allowed to be retained by the Authority. Specific reserves are described as follow:

Capital Fund Reserve – The Authority may establish a specific capital fund reserve to fund specific large capital projects that could otherwise not be funded with a single year worth of MB and MBB funds. The Authority may collect capital funds during not more than three fiscal years and shall expend all reserve funds prior to the end of the third fiscal year immediately following the fiscal year during which the reserve was established.

As of June 30, 2017, the Authority's Capital Fund Reserve amounted to $876,975 and has been retained to fund the following capital projects related to the Alameda ferry services:

- Mid-Life Refurbishment of the M/V Peralta

Operations Fund Reserve - The Authority may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from MB and MBB funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. As of June 30, 2017, the Authority has not established an Operations Fund Reserve.

Undesignated Fund Reserve - The Authority may establish and maintain a specific reserve for transportation needs over a fiscal year such as matching funds for grants project development work studies for transportation purposes or contingency funds for a project or program. This fund may not contain more than 10 percent of annual pass-through revenues. As of June 30, 2017, the Authority has established an Undesignated Fund Reserve totaling $170,000.

E. Low Carbon Transit Program

The Low Carbon Transit Operations Program (LCTOP) was created by California Senate Bill 862 to provide funding for operational or capital expansion projects to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. The LCTOP funds are derived from California's Cap-and-Trade Program and are the results of quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill 32. The State Controller's Office allocates five percent of the annual auction proceeds to the LCTOP and distributes these funds to transit operators on a formula basis. As of June 30, 2017, the Authority received an allocation from the FY15/16 program to support the construction of two new Richmond ferry vessels.

Allocation - FY15/16 Program	$264,976
Less bank fees as of 6/30/17	(161)
Unearned Revenues	$264,815

NOTE 6 – LEASE OBLIGATION

A. Port of San Francisco

The Authority and Port of San Francisco entered into a lease agreement on December 1, 2011. The agreement allows the Authority to lease three parcels for office space, nonexclusive apron space and the exclusive use of lay berth area for ferry berthing. The annual lease payment is $244,170 and each parcel amount is subject to a 3% annual adjustment with a minimum adjustment of $0.01 (1 cent). On September 29, 2016 the Authority and the Port of San Francisco entered into a new lease extending the original lease by 5 years. It expires November 30, 2021. The annual lease payment is $341,517, and each parcel is subject to a 3% annual adjustment with a minimum adjustment

B. Lennar Mare Island, LLC

The Authority and Lennar Mare Island entered into a lease agreement on April 22, 2013. The agreement allows the Authority to lease facilities for the purposes of continued ferry maintenance operations at the Temporary Ferry Facility Area and Permanent Ferry Facility Area. The Authority is obligated to make monthly payments for the Temporary Ferry Facility Area and Permanent Ferry Facility Area of $9,000 and $2,500, respectively. The Permanent Ferry Facility Area shall increase the monthly base rent by 2.5% over the prior year's base rent amount on an annual basis. The lease expires after 50 years.

C. City of Alameda

The Authority and the City of Alameda entered into a lease agreement on February 15, 2015. The agreement allows the Authority to lease facilities for the Central Bay Operations and Maintenance Facility. The Authority is obligated to make monthly base rent payments equal to $5,125, adjusted annually by the Consumer Price Index Rent Adjustment, and expires after 60 years.

NOTE 7 – RISK MANAGEMENT

The Authority purchased the following insurance policy covered at June 30, 2017:

Type of Coverage	Limit	Deductible
General liability	$1,000,000 to 3,000,000	$2,500
Workers compensation	1,000,000	N/A
Public officials management & Employment practices liability	3,000,000	15,000 to 25,000
Crime Insurance	1,000,000	2,500
Type of Coverage (related to Ferry Services)		
Marine commercial liability, Terminal operators liability and Auto liability	$1,000,000 to 3,000,000	$2,500
Docks, pilings & ramps Pier 9, Harbor Bay, Alameda Main Street, Vallejo, Vallejo Ferry Ticket Office, South San Francisco Terminal, North Bay Operations and Maintenance Facility, Mare Island Terminals and Oakland Clay Street	84,300,000	10,000 to 20,000
Excess marine liability	24,000,000	N/A

The Authority did not have any claims in fiscal year 2017.

NOTE 8 – NET POSITION

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows, regardless of fund. The Authority's Net Position is reported under the captions described below:

Net Investment in Capital Assets is the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes unexpended Measure B revenues, unexpended Measure BB revenues and Alameda Local Property Tax/Assessments.

Unrestricted describes the portion of Net Position which may be used for any Authority purpose.

NOTE 9 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Employee Pension Rate Plan. The Authority's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan, which is administered by the California Public Employees' Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.069%	6.555%

NOTE 9 – PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. In fiscal year 2017, the Authority made a lump sum payment totaling $224,287 for the unfunded liability and side fund.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
	Tier I & Tier II
Contributions - employer	$391,333
Contributions - employee (paid by employer)	124,673

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net positon of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$385,835
Total Net Pension Liability	$385,835

NOTE 9 – PENSION PLAN (Continued)

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.0160%
Proportion - June 30, 2016	0.0111%
Change - Increase (Decrease)	-0.004919%

For the year ended June 30, 2017, the Authority recognized a negative pension expense of $159,637. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$391,333	
Differences between actual and expected experience	6,173	$1,416
Changes in assumptions		58,398
Net differences in actual contributions and proportionate contributions	499,899	
Net differences between projected and actual earnings on pension plan investments	303,941	
Adjustments due to changes in proportion	12,665	265,719
Total	$1,214,011	$325,533

NOTE 9 – PENSION PLAN (Continued)

Deferred outflows of $391,333 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous
2018	$167,791
2019	128,656
2020	121,975
2021	78,723

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

NOTE 9 – PENSION PLAN (Continued)

Change of Assumptions – There were no changes of assumptions.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 9 – PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$999,120
Current Discount Rate	7.65%
Net Pension Liability	$385,835
1% Increase	8.65%
Net Pension Asset	$121,021

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS

The Authority follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB).

By Board resolution, the Authority provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans.

The Authority pays the minimum of PEMHCA community rated plans for retired employees' medical premiums, in which the benefits continue to the surviving spouse. The Authority will also provide a longevity stipend for retired employees who have at least 10 years of service, by paying up to the PERSC are single premium for single coverage only.

As of June 30, 2017, three participants were eligible to receive benefits.

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of the June 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 5.0%-7.2 % health inflation increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Authority's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 23 year closed amortization period.

In accordance with the Authority's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Authority's Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of Authority Board. This Trust is not considered a component unit by the Authority and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2017, the Authority contributed the ARC amounting to $76,800 to the plan which represented 4.8% of the $1.6 million of covered payroll. The Authority did not have a Net OPEB Obligation at June 30, 2017, as presented below:

	Amounts
Net OPEB Obligation June 30, 2016	$0
Annual required contribution (ARC)	76,800
Contributions to CERBT	(76,800)
Change in net OPEB Liability	0
Net OPEB Obligation June 30, 2017	$0

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated October 2015, amounted to $525,400 and, as of June 30, 2017, the Authority has $717,454 held in the CERBT trust.

The Plan's estimated annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Estimated Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2015	$46,900	$46,900	100%	$0
6/30/2016	69,800	69,800	100%	0
6/30/2017	76,800	76,800	100%	0

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Authority participates in Federal and State and local grant programs. These programs have been audited by the Authority's independent auditors, in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

At June 30, 2017, the Authority had made commitments for the following projects:

Ferry Vessel Replacement - MV Hydrus & MV Cetus	$1,183,646
Purchase Replacement Vessel - MV Vallejo	15,759,113
Purchase New Vessels - Richmond Ferry Service	33,111,343
Vessel Engine Overhaul - MV Bay Breeze	538,209
Quarter-Life Refurbishment - MV Taurus	2,098,130
Purchase Two New 400-Passenger Vessels	12,175,965
Central Bay Operations & Maintenance Facility	34,143,305
North Bay Operations & Maintenance Facility	40,977
Richmond Ferry Terminal	17,272,674
San Francisco Berthing Expansion	14,225,753
Total	$130,549,115

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REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability/Asset	0.010204%	0.016026%	0.011107%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$748,940	$439,655	$385,835
Plan's Covered Payroll	$1,217,627	$1,363,751	$1,453,752
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered-Employee Payroll	61.51%	32.24%	26.54%
Plan's Proportionate Share of the Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	80.87%	88.93%	91.53%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

San Francisco Water Emergency Transportation Authority's Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended :	6/30/2015	6/30/2016	6/30/2017
Actuarially determined contribution	$222,396	$434,477	$391,333
Contributions in relation to the actuarially determined contributions	(222,396)	(434,477)	(391,333)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$1,363,751	$1,453,752	$1,597,597
Contributions as a percentage of covered payroll	16.31%	29.89%	24.50%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

Schedule of Funding Progress
Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
June 30, 2011	$131,500	$254,200	$122,700	51.73%	$1,242,000	9.88%
June 30, 2013	269,200	271,000	1,800	99.34%	1,244,500	0.14%
June 30, 2015	410,200	525,400	115,200	78.07%	1,453,330	7.93%